

BOSCH LIMITED

RELATED PARTY TRANSACTION POLICY

Approver:	Audit Committee
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TABLE OF CONTENTS

No	Details	Page No
1	INTRODUCTION	3
2	OBJECTIVES	3
3	DEFINITIONS	3
4	REVIEW AND APPROVAL OF RELATED-PARTY TRANSACTIONS	4
5	APPROVAL OF THE BOARD AND THE SHAREHOLDERS	6
6	DISCLOSURE	7
7	POLICY REVIEW	8

Related Party Transaction Policy

INTRODUCTION

Bosch Limited (the “Company” or “Bosch”) has formulated this Related Party Transaction policy (this “Policy”) in line with Clause 49 of the Listing Agreement, entered into by the Company with the Stock Exchanges, as amended on September 15, 2014 (“Clause 49”).

OBJECTIVES

The Audit Committee of the Company has approved this Policy to set forth the procedures under which transactions between the Company and Related Parties shall be identified and reviewed for approval or ratification in accordance with the procedures set forth below and as prescribed under Clause 49 and the Companies Act 2013 and the rules framed thereunder (including any statutory modification(s) or re-enactment thereof) (the “Act”).

No Related Party transaction may be entered into or no existing Related Party transaction shall be modified or renewed by the Company, except in accordance with the provisions of this Policy.

DEFINITIONS

“**Audit Committee**” or “**Committee**” means the audit committee of the Board of Directors of the Company constituted in accordance with the requirements prescribed under the Act and Clause 49.

“**Key Managerial Personnel**” shall have the meaning ascribed to it under the Act.

“**Material Related Party Transaction**” means any transaction/ transactions to be entered into individually or taken together with previous transactions during a financial year exceed 10% of the annual consolidated turnover of the Company as per its last audited financial statements.

“**Related Party**”: - an entity shall be considered related to the Company if:

- (i) such entity is a related party under Section 2(76) of the Act ; or
- (ii) such entity is a related party under the applicable accounting standards.

An extract of the relevant definitions under Section 2(76) of the Act and Accounting Standard – 18 (which is the relevant accounting standard in this regard) is set forth in Annexure A.

“**Related Party Transaction**” means any transaction involving transfer of resources, services or obligations between a company and a Related Party, regardless of whether a price is charged.

Explanation—A “transaction” with a related party shall be construed to include single transaction or group of transactions in a contract.

“**Relative**” shall have the meaning ascribed to it under the Act.

In the event of any inconsistency or conflict between a term as defined in this Policy and as prescribed under Clause 49, the Act or AS-18 (as applicable), the definition under such relevant regulatory framework would prevail.

RELATED PARTIES FOR BOSCH

The Related Parties of Bosch would have to be identified and ascertained in light of the aforementioned definition of Related Party.

Each director, manager and key managerial personnel of the Company shall disclose to the Company, a list of all persons, companies, firms, body corporates and other entities (together with their interest/holding thereunder) who/which would be categorized as a Related Party to the Company. The list shall be submitted to the Company (i) at the time of appointment of such person to office; and (ii) at the first meeting of the Board held in every financial year, subject to immediately intimating the Company of any modification/variation to the list so provided.

The obligations of the directors and key managerial personnel of the Company to disclose their interest as required under the Act are in addition and not in substitution of the aforementioned obligations. In addition, the directors have to give an undertaking that all business transactions entered into between Bosch and themselves comply with the terms of this Policy.

Similarly, the disclosure obligations of the directors and key managerial personnel hereunder would not supersede or prevail over the right and obligation of the Audit Committee and the Board to evaluate and determine whether a party is a Related Party, whose decision shall be final.

Further, based on the group structure of Bosch, and investments made by or in Bosch, the Audit Committee and the Board should determine whether any entity would be a Related Party.

REVIEW AND APPROVAL OF RELATED PARTY TRANSACTIONS

1. Subject to the omnibus approval process referred to under paragraph VII (D) of Clause 49 and hereunder, all Related Party Transactions shall require the prior approval of the Audit Committee.
2. Accordingly,
 - a. Prior to the commencement of each financial year, the Audit Committee shall meet to consider the Related Party Transactions of Bosch for the financial year; and
 - b. During the financial year, if any Related Party Transaction is proposed to be entered, the Audit Committee shall meet to consider the said Related Party Transaction at the relevant time.
3. The management shall present to the Audit Committee the following information with respect to each Related Party:
 - a. The name of the Related Party and the basis on which such person or entity is a Related Party (nature of relationship);
 - b. Nature, duration and particulars of the contract/transaction thereof;

Related Party Transaction Policy

- c. In case of existing or approved contracts, transactions, details of proposed variations to the duration, current price / value and / or other terms of the contract or arrangement including a justification for the proposed variations;
 - d. The value of the contract, the consideration for the contract, an advance payments or security deposits, the manner of determining the pricing and other commercial terms of the contract;
 - e. Copy of the agreement, contract, purchase order or correspondence etc., if any;
 - f. Valuation reports in case of sale or purchase or leasing / renting of capital assets such as building, if any and if required by the Committee;
 - g. Justification as to the arm's length nature of the proposed transaction; and
 - h. Any other relevant, important or material information regarding the transaction(s) or the Related Party's interest in the transaction(s), including such other information as the Committee may require.
4. After reviewing such information and after seeking such other information, documentation and clarifications that the Committee may require, the members of the Audit Committee (without the participation of the Audit Committee member(s) interested in the transaction, if any) may approve or disapprove such transaction(s), subject to such monetary or other limitations and conditions as the Committee may deem fit. The Committee may convene, adjourn, re-convene and hold afresh such number of meetings as it may require in this regard.
 5. Approval of Related Party Transactions shall be given only if it is determined by the Audit Committee that such transactions are:
 - a. in (or not inconsistent with) the best interests of the Company and its shareholders; and
 - b. on terms that are fair and comparable to those that would be obtained in arm's length transactions with unrelated third parties.

The Committee shall have due regard to (i) the business and commercial rationale for the transaction; (ii) alternate options available with the Company; and (iii) the nature and extent of any interest, including any actual or potential conflict of interest of the management, Board members, key managerial personnel and shareholders.

6. No member of the Audit Committee shall participate in the review, consideration or approval process of any Related Party Transaction with respect to which he is interested.

OMNIBUS APPROVAL BY AUDIT COMMITTEE

The Audit Committee would grant omnibus approval only if it is satisfied of the need of such approval and that it meets the criteria set out hereinabove (Para 5) for approval of Related Party Transactions.

Related Party Transaction Policy

The Audit Committee shall lay down the criteria for granting the omnibus approval in line with this Policy and such approval shall be applicable in respect of transactions which are repetitive in nature.

In the case of frequent / regular / repetitive transactions which are in the normal course of business of the Company, the Audit Committee may grant standing pre-approval / omnibus approval. While granting the approval, the Audit Committee shall satisfy itself of the need for the omnibus approval and that the same is in the interest of the Company. The omnibus approval shall specify the following:

- a. Name of the related party.
- b. Nature of the transaction.
- c. Period of the transaction.
- d. Maximum amount of the transactions that can be entered into.
- e. Indicative base price / current contracted price and formula for variation in price, if any.
- f. Such other conditions as the Audit Committee may deem fit.

Such transactions will be deemed to be pre-approved and may not require any further approval of the Audit Committee for each specific transaction. The thresholds and limitations set forth by the Committee would have to be strictly complied with, and any variation thereto including to the price, value or material terms of the contract or arrangement shall require the prior approval of the Audit Committee.

Further, where the need of the related party transaction cannot be foreseen and all prescribed details (as aforementioned) are not available, the Audit Committee may grant omnibus approval subject to the value per transaction not exceeding Rs.1,00,00,000/- (Rupees One Crore only). The details of such transaction shall be reported at the next meeting of the Audit Committee for ratification.

Further, the Audit Committee shall, on a quarterly basis, review and assess such transactions including the limits to ensure that they are in compliance with this Policy. The omnibus approval shall be valid for a period of one year and fresh approval shall be obtained after the expiry of one year.

APPROVAL OF THE BOARD AND THE SHAREHOLDERS

The Company shall ensure strict compliance with its obligations under the Act in relation to related party transactions, as defined thereunder, including:

- a. Procuring the prior approval of the Committee. The process set forth hereinabove in relation to approval by the Committee shall *mutatis mutandis* apply to such approval under the Act;
- b. Consent of the Board by a resolution at a board meeting, with interested directors recusing themselves;

On the transaction being approved by the Audit Committee, the matter shall be placed before the Board for its approval. In granting such approval, the Board shall have due regard to the factors set forth in Paragraph (5) above.

Related Party Transaction Policy

- c. Consent of the shareholders by a special resolution if the transaction exceeds the thresholds prescribed under the 2013 Act (as detailed in Annexure B); and

Whether exception for transactions entered in the ordinary course of business and on an arm's length basis can be invoked shall be established by placing reliance upon (i) a valuation report obtained from a valuer; and (ii) an independent opinion from an legal counsel.

In case of a wholly-owned subsidiary, the special resolution by the holding company would be sufficient.

- d. Complying with the disclosure requirements in the agenda for the board meeting and the explanatory statement for the general meeting.

Under Clause 49, all Material Related Party Transactions shall require approval of the shareholders. The resolution will be a special resolution and all entities falling under the definition of Related Parties shall abstain from voting irrespective of whether the entity is a party to the particular transaction or not. However, for the purpose of Clause 49, transactions entered into between a holding company and its wholly owned subsidiary whose accounts are consolidated with such holding company and placed before the shareholders at the general meeting for approval, does not require shareholder approval.

The Board and the shareholders in granting the approval may consider the materiality and other limitations and thresholds set forth by the Audit Committee in its approval.

MODIFICATIONS AND FAILURE TO PROCURE APPROVALS

If any modification or amendment to an approved related party transaction is proposed, such modification or amendment shall require the prior approval of the relevant authority (Audit Committee, the Board, shareholder, as the case may be), and the process set forth hereinabove shall once gain apply to such approval. The modification/amendment shall not be effected unless approved by the Audit Committee. In addition to considering the factors set forth in paragraph (5) above, the approving authority shall consider (i) the impact of the modification/variation on the arm's length pricing; and (ii) whether the modification would trigger any Board or shareholder approval (which may not have been applicable to the existing transaction prior to such modification).

Subject to and without prejudice to the obligation to procure prior approvals under this Policy, in the event that a related party transaction is not been approved under this Policy, prior to its consummation, the matter shall be forthwith reviewed by the Audit Committee, and its findings and recommendations should be placed before the Board. The Board shall consider all of the relevant facts and circumstances regarding the related party transaction, and the Board shall (or if the concerned related party transaction required the approval of the shareholders, the shareholders shall, based on the recommendation of the Board) determine the proposed way forward including any ratification, revision or termination of the said related party transaction and/or initiating any compounding proceedings with the concerned regulator, initiating disciplinary action against the concerned director/employee/key managerial personnel, provided however that all such actions shall be subject to and in due compliance with applicable law.

DISCLOSURE

Related Party Transaction Policy

The Company (including the management) shall ensure strict compliance with all its disclosure obligations in relation to related party transactions as required under the Act, the Listing Agreement and AS-18.

This Policy will also be uploaded on the website of Bosch and the web-link to the Policy will be inserted in the Annual Report of Bosch in every year.

POLICY REVIEW

The requirements, conditionalities, thresholds and compliance obligations under the Act and Clause 49 are independent and separate, and each of these requirements would have to be independently evaluated, determined and fulfilled, and the Audit Committee, the Board and the Company shall have due regard to the same.

This Policy is framed based on the provisions of the Act and Clause 49 as existing on 03.12.2014.

In case of any subsequent changes in the provisions of the Act or any other regulations which makes any of the provisions in the Policy inconsistent with the Act or other regulations, such provisions of the Act or other regulations would prevail over the Policy and the provisions in the Policy would be modified in due course to make it consistent with law.

This Policy shall be reviewed by the Audit Committee as and when any changes are to be incorporated in the Policy due to change in regulations or as may be felt appropriate by the Audit Committee.

ANNEXURE A

1. Section 2(76) of the Act

1.1 A related party means:

- (i) A director or his relative;
- (ii) A key managerial personnel or his relative;
- (iii) A firm, in which a director, manager or his relative is a partner;
- (iv) A private company in which a director or manager or his relative is a member or director;
- (v) A public company in which a director or manager is a director and holds along with his relatives, more than two per cent. of its paid-up share capital;
- (vi) Any body corporate whose Board of Directors, managing director or manager is accustomed to act in accordance with the advice, directions or instructions of a director or manager;
- (vii) Any person on whose advice, directions or instructions a director or manager is accustomed to act:

Provided that nothing in sub-clauses (vi) and (vii) shall apply to the advice, directions or instructions given in a professional capacity;
- (viii) Any company which is— (A) a holding, subsidiary or an associate company of such company; or (B) a subsidiary of a holding company to which it is also a subsidiary.

1.2 A director, other than an independent director, or key managerial personnel of the holding company or his relative, shall be deemed to be a related party.

1.3 Associate Company in relation to another company means a company in which that other company has a significant influence, but which is not a subsidiary company of the company having such influence and includes a joint venture company.

Explanation — For the purposes of this clause, “significant influence” means control of at least twenty per cent of total share capital, or of business decisions under an agreement

1.4 Holding Company, in relation to one or more other companies, means a company of which such companies are subsidiary companies.

1.5 (KMP) in relation to a company, means

- (i) The Chief Executive Officer, the managing director or the manager;
- (ii) The company secretary;

- (iii) The whole-time director
- (iv) The Chief Financial Officer; and
- (v) Such other person as may be prescribed.

1.6 Subsidiary, in relation to any other company (that is to say the holding company), means a company in which the holding company— (i) controls the composition of the Board of Directors; or (ii) exercises or controls more than one-half of the total share capital, either at its own or together with one or more of its subsidiary companies

Explanation—

- (a) A company shall be deemed to be a subsidiary company of the holding company even if the control referred to in sub-clause (i) or sub-clause (ii) is of another subsidiary company of the holding company;
- (b) The composition of a company's Board of Directors shall be deemed to be controlled by another company if that other company by exercise of some power exercisable by it at its discretion can appoint or remove all or a majority of the directors;
- (c) The expression "company" includes any body corporate.

2. **AS-18**

2.1 AS-18 deals only with related party relationships described in (a) to (e) below:

- (a) Enterprises that directly, or indirectly through one or more intermediaries, control, or are controlled by, or are under common control with, the reporting enterprise (this includes holding companies, subsidiaries and fellow subsidiaries);
- (b) Associates and joint ventures of the reporting enterprise and the investing party or venturer in respect of which the reporting enterprise is an associate or a joint venture;
- (c) Individuals owning, directly or indirectly, an interest in the voting power of the reporting enterprise that gives them control or significant influence over the enterprise, and relatives of any such individual;
- (d) Key management personnel and relatives of such personnel; and
- (e) Enterprises over which any person described in (c) or (d) is able to exercise significant influence. This includes enterprises owned by directors or major shareholders of the reporting enterprise and enterprises that have a member of key management in common with the reporting enterprise.

The term holding, subsidiaries, key management personnel are defined under AS – 18.

Related Party Transaction Policy

2.2 Parties are considered to be related if “*at anytime during the reporting period one party has the ability to control the other party or exercise significant influence over the other party in making financial and/or operating decisions.*”

2.3 Control means “(a) *ownership, directly or indirectly, of more than one half of the voting power of an enterprise, or (b) control of the composition of the board of directors in the case of a company or of the composition of the corresponding governing body in case of any other enterprise, or (c) a substantial interest in voting power and the power to direct, by statute or agreement, the financial and/or operating policies of the enterprise.*”

AS-18 also clarifies the nature of control of the board (the power, without the consent or the concurrence of any other person, to appoint or remove all/majority of the governing body members as identified thereunder) and of ‘substantial interest’ (direct or indirect ownership of 20% or more interest in the voting power of the other enterprise).

2.4 ‘significant influence’ means “*participation in the financial and/or operating policy decisions of an enterprise, but not control of those policies*”.

Illustrations of significant influence include representation on the board, participation in policy making process, material inter-company transactions, interchange of managerial personnel or dependence on technical information (gained by share ownership, statute or agreement). In the context of share ownership, holding of 20% or more of the voting power of an enterprise results in a presumption of significant influence, while absence of such holding leads to a presumption of no significant influence, unless it can be clearly demonstrated that this is not the case.

ANNEXURE B

Category of Transactions	Threshold under the Act
Sale, purchase or supply of any goods or services	10% of turnover or Rs. 100 crore, whichever is lower
Selling or otherwise disposing of, or buying, property of any kind, directly or through appointment of an agent	Exceeding 10% of net worth or Rs. 100 crore, whichever is lower
Leasing of property of any kind	Exceeding 10% of net worth or 10% of turnover or Rs. 100 crore, whichever is lower
Availing or rendering of any services, directly or through appointment of an agent	Exceeding 10% of turnover or Rs 50 crore, whichever is lower
Appointment to any office or place of profit in the company, its subsidiary company or associate company	At a monthly remuneration exceeding Rs 2.5 lakh
Remuneration for underwriting the subscription of any securities or derivatives thereof, of the company	Exceeding 1% of net worth

***Limits would apply to transactions entered into individually or taken together with previous transactions during a financial year**

**** Turnover and Net worth shall be computed on the basis of the audited balance sheet of the preceding financial year**